

In 2001/2002, like many other enterprises, the Group has experienced a difficult year amidst unfavourable economic conditions. Under the leadership of the Board of Directors and management, the Company has been able to effectively established a solid foundation in the cost control, business model and corporate governance during the year, and focussed on the development of core operations and exploration of new business opportunities. In May 2002, the Group successfully made a step forward, with the acquisition of a group engaged in telecommunication system and software development. Looking into the future, in the wake of the successful access into the WTO of Mainland China, in addition to Beijing to host the 2008 Olympics, the Group is fully confident of the economic prospects of Mainland China as well as on the demands for telecommunication value added services in the coming years.

During the year, the Group has been successful in the restructure of its bank loans, and has significantly improved the financial situation of the Group. With the Group's decision of changing its core operations, to focus on telecommunication business, management has commenced on the disposal of the Group's non-core operations, allowing it to concentrate its resources in telecommunication related operations.

During the year, the Group actively established relationships with investors. Strategic shareholders including as China Telecom (Guangdong), China Mobile (Hong Kong) and China International Trust and Investment Corporation are with solid strengths and rich experience. With the concerted support from such strategic shareholders, the Group is confident to succeed in the participation in the telecommunication and related business in Mainland China.

I would like to express my sincere gratitude to the Board and the staff for their loyalty and hard work for the current year as well as to all shareholders for their kind support over the previous year.

**Chen Xiao Ying**

Executive Chairman

17th July, 2002